

**FLAGG CREEK WATER
RECLAMATION DISTRICT
BURR RIDGE, ILLINOIS**

ANNUAL FINANCIAL REPORT
YEAR ENDED APRIL 30, 2023

FLAGG CREEK WATER RECLAMATION DISTRICT

TABLE OF CONTENTS

Year Ended April 30, 2023

	<u>Page(s)</u>
Independent Auditor's Report	1 – 3
Management's Discussion and Analysis	4 – 10
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	11 – 12
Statement of Revenues, Expenses and Changes in Net Position	13
Statement of Cash Flows	14 – 15
Notes to Financial Statements	16 – 29
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Changes in Net Pension Liability and Related Ratios	30
Schedule of Employer Contributions	31
Schedule of Funding Progress Other Postemployment Benefits Plan	32
Schedule of Employer Contributions Other Postemployment Benefits Plan	33
Notes to Required Supplementary Information	34
SUPPLEMENTARY INFORMATION:	
Combining Statement of Net Position by Subfund	35 – 36
Combining Statement of Revenues, Expenses and Changes in Net Position by Subfund	37 – 38
Schedule of Revenues and Expenses – Budget to Actual for Sewerage and User Subfund	39 – 41

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
FLAGG CREEK WATER RECLAMATION DISTRICT
Burr Ridge, Illinois

Opinions

We have audited the accompanying financial statements of the business-type activities of **FLAGG CREEK WATER RECLAMATION DISTRICT** (the "District"), as of and for the year ended April 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of April 30, 2023, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for an audit opinion.

Other Matter

The financial statements of the District for the year ended April 30, 2022, were audited by another auditor, who expressed an unmodified opinion on those statements on July 14, 2022.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Since 1969 ■ *Members American Institute and Illinois Society of Certified Public Accountants*

19070 S. Everett Blvd. ■ Suite 208
Mokena, Illinois 60448
p 708.478.2900 ■ f 708.478.2901

2021 Midwest Road ■ Suite 200
Oak Brook, Illinois 60523
p 630.889.7166

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter, as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



O'NEILL & GASPARDO, LLC
Mokena, Illinois
August 16, 2023

FLAGG CREEK WATER RECLAMATION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Flagg Creek Water Reclamation District (the "District") we offer readers of the District's financial statements this narrative overview and analysis of the District's financial performance during the fiscal year ended April 30, 2023. We encourage readers to read this information in conjunction with the District's financial statements.

Financial Highlights

The District's total net position at April 30, 2023 was \$48,959,013, an increase of \$1,680,473 or 3.6% from April 30, 2022.

Operating revenues available to fund operating expenses increased by \$256,717 or 2.2% for the year ended April 30, 2023, from the prior fiscal year.

Operating expenses increased by \$430,130 or 6.4% for the year ended April 30, 2023, from the prior fiscal year.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements provide both long-term and short-term information about the District's overall status.

The statement of net position includes all of the District's assets, deferred outflows, liabilities and deferred inflows with the difference reported as net position. Increases and decreases in net position serve as a useful indicator of change in net position and whether the financial position of the District as a whole is improving or deteriorating.

The statement of revenues, expenses and changes in net position reports how the District's net position changed during the current fiscal year. All revenues and expenses are included regardless of when cash is received or paid.

The statement of cash flows reports the District's cash receipts, cash payments, and net changes in cash resulting from operations, investing, financing, and provides what cash was used for, and what was the change in the cash balance during the reporting period.

Supplementary Information

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Internally, the District maintains three separate governmental funds. Although these funds are maintained as governmental funds internally, all of the District's activities are considered business-type activities in the government-wide financial statements.

The District reports the following funds in the supplementary information:

Sewerage and User Fund - The Sewerage and User Fund (General Fund) is the general operating fund of the District. It is used to account for all financial resources except those accounted for in another fund. General operating expenses and the capital improvement costs that are not paid through other funds are paid from the General Fund. In addition, funds from the General Fund may be transferred to an applicable fund to cover their expenses.

Capital Improvements Fund - The Capital Improvements Fund is used to account for revenues and expenses that are for the expansion and major maintenance of the facilities.

State Fund IEPA - The State Fund IEPA accounts for transactions relating to capital improvement projects financed through the IEPA revolving loan program.

The District may use any unexpended funds to pay long-term debt and surpluses may also be transferred to the General Fund.

A budgetary comparison statement has been provided (as supplementary information) for the Sewerage and User Fund.

Financial Analysis

Condensed Statement of Net Position

	<u>April 30, 2023</u>	<u>%</u>	<u>April 30, 2022</u>	<u>%</u>	<u>Change</u>	<u>%</u>
Assets						
Current assets:						
Cash	\$ 13,389,023	18.4%	\$ 13,776,070	18.7%	\$ (387,047)	-2.8%
Certificates of deposit	1,250,000	1.7%	-	0.0%	1,250,000	100.0%
Annuities	41,195	0.1%	40,196	0.1%	999	2.5%
Receivables	1,265,322	1.7%	1,109,076	1.5%	156,246	14.1%
Prepaid expenses	135,394	0.2%	109,674	0.1%	25,720	23.5%
Total current assets	<u>16,080,934</u>	<u>22.2%</u>	<u>15,035,016</u>	<u>20.5%</u>	<u>1,045,918</u>	<u>7.0%</u>
Noncurrent assets:						
Certificates of deposit	2,250,000	3.1%	-	0.0%	2,250,000	100.0%
Capital assets	50,701,407	69.9%	53,894,304	73.3%	(3,192,897)	-5.9%
Net pension asset	75,767	0.1%	3,989,942	5.4%	(3,914,175)	-98.1%
Total noncurrent assets	<u>53,027,174</u>	<u>73.1%</u>	<u>57,884,246</u>	<u>78.8%</u>	<u>(4,857,072)</u>	<u>-8.4%</u>
Total assets	<u>69,108,108</u>	<u>95.2%</u>	<u>72,919,262</u>	<u>99.2%</u>	<u>(3,811,154)</u>	<u>-5.2%</u>
Deferred outflows of resources	<u>3,477,016</u>	<u>4.8%</u>	<u>581,205</u>	<u>0.8%</u>	<u>2,895,811</u>	<u>498.2%</u>
Total assets and deferred outflows of resources	<u>\$ 72,585,124</u>	<u>100.0%</u>	<u>\$ 73,500,467</u>	<u>100.0%</u>	<u>\$ (915,343)</u>	<u>-1.2%</u>
Liabilities						
Current liabilities:						
Accounts payable	\$ 4,750,716	20.1%	\$ 4,844,999	18.5%	\$ (94,283)	-1.9%
Accrued expenses	313,070	1.3%	109,595	0.4%	203,475	185.7%
Unearned revenues	188,502	0.8%	351,065	1.3%	(162,563)	-46.3%
Accrued compensated absences	-	0.0%	14,735	0.1%	(14,735)	-100.0%
Notes payable	1,542,597	6.5%	1,520,266	5.8%	22,331	1.5%
Total current liabilities	<u>6,794,885</u>	<u>28.8%</u>	<u>6,840,660</u>	<u>26.1%</u>	<u>(45,775)</u>	<u>-0.7%</u>
Noncurrent liabilities:						
Accrued compensated absences	-	0.0%	132,610	0.5%	(132,610)	-100.0%
Notes payable	15,073,353	63.8%	16,615,951	63.4%	(1,542,598)	-9.3%
Total noncurrent liabilities	<u>15,073,353</u>	<u>63.8%</u>	<u>16,748,561</u>	<u>63.9%</u>	<u>(1,675,208)</u>	<u>-10.0%</u>
Total liabilities	<u>21,868,238</u>	<u>92.6%</u>	<u>23,589,221</u>	<u>90.0%</u>	<u>(1,720,983)</u>	<u>-7.3%</u>
Deferred inflows of resources	<u>1,757,873</u>	<u>7.4%</u>	<u>2,632,706</u>	<u>10.0%</u>	<u>(874,833)</u>	<u>-33.2%</u>
Total liabilities and deferred inflows of resources	<u>23,626,111</u>	<u>100.0%</u>	<u>26,221,927</u>	<u>100.0%</u>	<u>(2,595,816)</u>	<u>-9.9%</u>
Net Position:						
Net invested in capital assets	34,085,457	69.6%	35,758,086	75.6%	(1,672,629)	-4.7%
Restricted	1,795,113	3.7%	1,795,113	3.8%	-	0.0%
Unrestricted	13,078,443	26.7%	9,725,341	20.6%	3,353,102	34.5%
Total net position	<u>48,959,013</u>	<u>100.0%</u>	<u>47,278,540</u>	<u>100.0%</u>	<u>1,680,473</u>	<u>3.6%</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 72,585,124</u>		<u>\$ 73,500,467</u>		<u>\$ (915,343)</u>	

- The District opened fourteen (14) \$250,000 Certificates of Deposits (total of \$3,500,000) in the year ended April 30, 2023. Maturity dates of Certificates of Deposits range from 12 to 24 months and have interest rates ranging from 4.50% to 5.15%.
- Capital assets decreased \$3,192,897 or -5.9% due to \$3,635,890 of depreciation expense in the year ended April 30, 2023.
- Net pension asset decreased \$3,914,175 or -98.1% mainly due to investment losses of \$2,640,631 and benefit payments of \$948,943 in the year ended April 30, 2023.
- Changes in deferred outflows and inflows were due to changes in projections (i.e. projected earnings on investments).

Net position:

- Net position may serve, over time, as a useful indicator of the District's financial position. The District's total net position at April 30, 2023 was \$48,959,013, an increase of \$1,680,473 or 3.6% from April 30, 2022.
- Net position reflects the District's investment in capital assets, less debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services, so they are not available for future spending. In addition, the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.
- Restricted net assets of \$1,795,113 at April 30, 2023 represent amounts required to be segregated by Illinois EPA Loan covenants.
- Unrestricted net assets of \$13,078,443 at April 30, 2023 can be used for any purpose.

Condensed Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position shows the nature and source of the changes in net position. The following summarizes the revenue and expenses of the District's activities for the fiscal year ended April 30, 2023.

	May 1, 2022 to April 30, 2023	%	May 1, 2021 to April 30, 2022	%	Change	%
Revenues:						
Operating revenues	\$ 12,148,138	96.0%	\$ 11,891,421	92.5%	\$ 256,717	2.2%
Non-operating revenues (expenses)	504,131	4.0%	961,242	7.5%	(457,111)	-47.6%
Total revenues	12,652,269	100.0%	12,852,663	100.0%	(200,394)	-1.6%
Expenses:						
Operating expenses	7,192,375	65.6%	6,762,245	70.8%	430,130	6.4%
Depreciation	3,635,890	33.1%	3,557,736	37.2%	78,154	2.2%
Net pension obligation - GASB 68	143,531	1.3%	(763,471)	-8.0%	907,002	-118.8%
Total expenses	10,971,796	100.0%	9,556,510	100.0%	1,415,286	14.8%
Change in net position	1,680,473		3,296,153		(1,615,680)	-49.0%
Net position, beginning of year	47,278,540		43,982,387		3,296,153	7.5%
Net position, end of year	<u>\$ 48,959,013</u>		<u>\$ 47,278,540</u>		<u>\$ 1,680,473</u>	<u>3.6%</u>

- Non-operating revenues decreased \$457,111 or 47.6% in the year ended April 30, 2023 due to contributed assets from the Illinois Tollway Authority of \$933,519 in the year ended April 30, 2022, but none in the year ended April 30, 2023. This decrease in revenue was offset by grants of \$459,113 in the year ended April 30, 2023.
- The increase in operating expenses of \$430,130 or 6.4% for the year ended April 30, 2023, from the prior fiscal year was due primarily to sludge hauling expenses increasing \$285,300 or 84.2%. This increase was due to the number of gallons of sludge hauled increasing from 4.5 million for the year ended April 30, 2022 to 8.3 million for the year ended April 30, 2023, which is an 84.4% increase. Gallons hauled fluctuates based on weather conditions, availability of land to dispose sludge and other factors.
- Net pension obligation expense increased \$907,002 or -118.8% in the year ended April 30, 2023 due to investment losses.

Budget

The District did not amend its budget during the fiscal year. Operating and non-operating revenue for the Sewerage and User Fund (General Fund) was \$12,315,370 for the year ended April 30, 2023, which was \$494,224 or 4.2% higher than budgeted. Expenses for this fund were \$7,191,914 for the year ended April 30, 2023, which was \$122,453 or 1.7% higher than budgeted.

Capital Assets

The District's investment in capital assets decreased \$3,192,896 or -5.9% due to depreciation expense of \$3,635,890 in the year ended April 30, 2023.

The following summarizes capital assets.

	April 30, 2023	April 30, 2022	Change	% Change
Land	\$ 456,695	\$ 907,712	\$ (451,017)	-49.7%
Construction in progress	759,831	2,814,279	(2,054,448)	-73.0%
Lift stations	12,008,147	9,873,074	2,135,073	21.6%
Sewer improvements	35,130,933	34,747,585	383,348	1.1%
Buildings	16,518,805	16,518,805	-	0.0%
Office equipment	163,800	171,960	(8,160)	-4.7%
Vehicles	1,059,104	1,021,417	37,687	3.7%
Plant improvements and equipment	63,330,164	63,614,185	(284,021)	-0.4%
Total capital assets	<u>129,427,479</u>	<u>129,669,017</u>	<u>(241,538)</u>	<u>-0.2%</u>
Less: accumulated depreciation	<u>(78,726,072)</u>	<u>(75,774,714)</u>	<u>(2,951,358)</u>	<u>3.9%</u>
Net capital assets	<u>\$ 50,701,407</u>	<u>\$ 53,894,303</u>	<u>\$ (3,192,896)</u>	<u>-5.9%</u>

Additional information regarding capital assets may be found in the accompanying notes to the financial statements.

Debt

The District had six notes payable outstanding with a total balance of \$16,615,950 at April 30, 2023.

Additional information regarding debt may be found in the accompanying notes to the financial statements.

Economic Factors Bearing on the District's Future

At the time these financial statements were prepared, the District was aware of the following items that will have a significant financial impact on the District:

- The District owes the Illinois Tollway Authority (the "Tollway") \$4,376,024, which is recorded in accounts payable at April 30, 2023 and 2022 in the accompanying statement of net position. See the notes to the financial statements for more details. The amount is payable when the Tollway's construction project nears completion, which the District believes will be in 2023 or 2024.
- The District has started the "2023 John McElwain Plant Improvement Project" which is still in its design phase. The District is seeking funding through low interest loans from the State Water Pollution Control Loan Programs, as well as requested funds from potential Federal and State Programs primarily for energy efficiencies and environmental benefits. The Project is estimated to cost approximately \$20 million.

This Project will change from current chemical treatment for removal of phosphorus to Biological Nutrient Removal (BNR) and will include multiple other plant improvements. It will decrease chemical costs and significantly reduce sludge disposal costs as well as result in reduced energy costs. This project will also ensure the District complies with all future anticipated more stringent discharge requirements. It is expected to commence at the end of 2024 or early 2025 and construction could go into 2029 or later to complete.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. James Liubicich, Executive Director of the District.

FLAGG CREEK WATER RECLAMATION DISTRICT

STATEMENT OF NET POSITION

April 30, 2023

Current assets:	
Cash and cash equivalents	\$ 11,593,910
Restricted cash and cash equivalents	1,795,113
Certificates of deposit	1,250,000
Annuities	41,195
Receivables:	
Accounts, net of (\$17,600) allowance	620,749
Unbilled user fee revenue	620,950
Interest	23,623
Prepaid expenses	<u>135,394</u>
Total current assets	16,080,934
Noncurrent assets:	
Certificates of deposit	2,250,000
Capital assets not being depreciated	1,216,526
Capital assets being depreciated, net of accumulated depreciation	49,484,881
Net pension asset	<u>75,767</u>
Total noncurrent assets	<u>53,027,174</u>
Total assets	69,108,108
Deferred outflows of resources:	
Deferred amounts related to pension	<u>3,477,016</u>
Total assets and deferred outflows of resources	<u><u>\$ 72,585,124</u></u>

Continued on next page ...

FLAGG CREEK WATER RECLAMATION DISTRICT

STATEMENT OF NET POSITION

April 30, 2023

Continued from previous page...

Current liabilities:	
Accounts payable	\$ 4,750,716
Accrued salaries and payroll expenses	49,737
Accrued interest	53,396
Unearned revenues	188,502
Accrued compensated absences	209,937
Notes payable	<u>1,542,597</u>
Total current liabilities	6,794,885
Noncurrent liabilities:	
Notes payable	<u>15,073,353</u>
Total noncurrent liabilities	<u>15,073,353</u>
Total liabilities	21,868,238
Deferred inflows of resources:	
Deferred amounts related to pension	<u>1,757,873</u>
Net position:	
Net investment in capital assets	34,085,457
Restricted - debt service	1,795,113
Unrestricted	<u>13,078,443</u>
Total net position	<u>48,959,013</u>
Total liabilities, deferred inflows of resources and net assets	<u>\$ 72,585,124</u>

FLAGG CREEK WATER RECLAMATION DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended April 30, 2023

Operating revenues:

Charges for services:

User fees	\$ 5,034,167
Sewer service fees	1,564,095
Service availability	4,672,370
Fines and fees	193,574
Grease trap permits	38,696
Connection fees	587,486
Plan review fees	57,750

Total operating revenues 12,148,138

Operating expenses:

Administration	2,265,318
Maintenance of sewers	768,842
Lift stations	143,157
Plant wastewater treatment	3,671,615
Laboratory	343,443

Total operating expenses 7,192,375

Operating income before depreciation and
net pension obligation - GASB 68

4,955,763

Depreciation

3,635,890

Net pension obligation - GASB 68

143,531

Operating income

1,176,342

Non-operating revenues (expenses):

Replacement taxes	319,363
Grants	459,113
Investment income	73,010
Loss on sale of capital assets	(76,458)
Interest expense	(270,897)

Total non-operating revenues (expenses): 504,131

Change in net position

1,680,473

Net position:

Beginning of year 47,278,540

End of year \$ 48,959,013

FLAGG CREEK WATER RECLAMATION DISTRICT

STATEMENT OF CASH FLOWS

Year Ended April 30, 2023

Cash flows from operating activities:	
Receipts from customers	\$ 11,852,950
Payments to employees	(2,631,719)
Payments to suppliers	<u>(4,624,524)</u>
Net cash from operating activities	4,596,707
Cash flows from noncapital financing activities:	
Replacement taxes	319,363
Grants	<u>459,113</u>
Net cash from noncapital financing activities	778,476
Cash flows from capital and related financing activities:	
Purchase of capital assets	(915,571)
Proceeds from sale of capital assets	396,116
Principal paid on capital debt	(1,520,266)
Interest paid on capital debt	<u>(270,897)</u>
Net cash used in capital and related financing activities	(2,310,618)
Cash flows from investing activities:	
Purchase of certificates of deposit	(3,500,000)
Reclassification of annuities from cash equivalents	(41,195)
Investment income received	<u>49,387</u>
Net cash used in investing activities	<u>(3,491,808)</u>
Net decrease in cash and cash equivalents	(427,243)
Cash and cash equivalents, beginning of year	<u>13,816,266</u>
Cash and cash equivalents, end of year	<u>\$ 13,389,023</u>
Cash and cash equivalents	
Unrestricted	\$ 11,593,910
Restricted	<u>1,795,113</u>
Total cash and cash equivalents	<u>\$ 13,389,023</u>

Continued on next page ...

FLAGG CREEK WATER RECLAMATION DISTRICT

STATEMENT OF CASH FLOWS

Year Ended April 30, 2023

Continued from previous page...

Cash flows from operating activities:

Operating income	\$ 1,176,342
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation	3,635,890
Net pension obligation - GASB 68	143,531
Changes in assets and liabilities	
Accounts receivable	56,114
Unbilled user fees	(188,738)
Prepaid expenses	(25,718)
Accounts payable	(94,281)
Accrued salaries and payroll expenses	(2,513)
Accrued interest	(3,949)
Unearned revenues	(162,563)
Accrued compensated absences	62,592
Total adjustments	<u>3,420,365</u>
Net cash from operating activities	<u><u>\$ 4,596,707</u></u>

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FLAGG CREEK WATER RECLAMATION DISTRICT (the “District”) is an Illinois unit of local government organized under the Illinois Sanitary District Act of 1917. The Board of Trustees is appointed by state legislators who serve communities within District boundaries. The District was formed in 1926 with the first sewers and treatment works becoming operational in 1930. The District serves parts or all of the following Illinois communities: Burr Ridge, Clarendon Hills, Darien, Elmhurst, Hinsdale, Lombard, Oak Brook, Oakbrook Terrace, Villa Park, Westmont and Willowbrook, including some unincorporated areas within these communities.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

A. Reporting Entity

The District is considered to be a primary government since it is legally separate and fiscally independent. These financial statements include all funds, functions, programs, and activities under the control of the Board of Trustees of the District.

B. Basis of Presentation

The accounts of the District are Enterprise Funds. Enterprise Funds are proprietary type funds used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the District is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows or resources, liabilities, deferred inflows of resources associated with the operation of this fund is included on the statement of net position. The proprietary fund’s statement of revenue, expenses and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. Operating revenues and expenses are directly attributable to the operation of the proprietary fund. Non-operating revenues/expenses are incidental to the operations of the fund.

The accrual basis of accounting is utilized by the proprietary fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of 30 days or less when purchased to be cash equivalents. Cash includes demand deposits and money market accounts with banks and cash on hand.

E. Receivables and Revenue Recognition

The District recognizes revenue in the period in which the service is provided. Unbilled receivables have been estimated at April 30, 2023.

F. Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are stated at cost or at estimated historical cost.

Capital assets contributed to the District are recorded at fair value on the date contributed. Depreciation is computed under the straight-line method over the estimated useful lives of the assets.

The range of estimated useful lives by type of asset is as follows:

Lift stations	5 – 40 years
Sewer improvements	5 – 70 years
Buildings	5 – 40 years
Office equipment	5 – 7 years
Vehicles	5 – 10 years
Plant improvement and equipment	5 – 40 years

G. Compensated Absences

Compensated absences are recorded in the period in which they are earned by employees whether or not actually paid.

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

H. Deferred Outflows/Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then.

The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

The only deferred outflows and inflows of resources of the District are due to the District's participation in the Illinois Municipal Retirement Fund (IMRF).

I. Net Position

Restricted net position represents amounts required to be segregated by Illinois EPA Loan covenants. Restricted net position is used for applicable expenses when it becomes unrestricted before unrestricted net position is used.

Net investment in capital assets represents the book value of capital assets less long-term debt principal outstanding issued to construct or acquire capital assets.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. DEFINED BENEFIT PENSION PLAN

IMRF Plan Description

The District's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The District's plan is managed by the Illinois Municipal Retirement Fund (IMRF), the administrator of a multi-employer public pension fund. A summary of IMRF's pension benefits is provided in the "Benefits Provided" section of this document. Details of all benefits are available from IMRF. Benefit provisions are established by statute and may only be changed by the General Assembly of the United State of Illinois. IMRF issues a publicly available Comprehensive Annual Financial Report that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. The report is available for download at www.imrf.org.

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2023

NOTE 2. DEFINED BENEFIT PENSION PLAN - Continued

Benefits Provided

Employees hired *before* January 1, 2011, are eligible for Tier 1 benefits. Tier 1 employees are vested for pension benefits when they have at least eight years of qualifying service credit. Tier 1 employees who retire at age 55 (at reduced benefits) or after age 60 (at full benefits) with eight years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 $\frac{3}{4}$ % of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any consecutive 48 months within the last 10 years of service, divided by 48. Under Tier 1, the pension is increased by 3% of the original amount on January 1st every year after retirement.

Employees hired *on or after* January 1, 2011 are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating employees who retire at age 62 (at reduced benefits) or after age 67 (at full benefits) with ten years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 $\frac{3}{4}$ % of the final rate of earnings for the first 15 years of service credit, plus 2% for each year of service credit after 15 years to a maximum of 75% of their final rate of earnings. Final rate of earnings is the highest total earnings during any 96 consecutive months within the last 10 years of service, divided by 96. Under Tier 2, the pension is increased on January 1st every year after retirement, upon reaching age 67, by the *lesser* of:

- 3% of the original pension amount, or
- 1/2 of the increase in the Consumer Price Index of the original pension amount.

Employees Covered by Benefit Terms

As of December 31, 2022, the following employees were covered by the benefit terms:

	<u>IMRF</u>
Retirees and beneficiaries currently receiving benefits	46
Inactive plan members entitled to but not yet receiving benefits	9
Active plan members	29
Total	<u><u>84</u></u>

Contributions

As set by statute, the District's Regular Plan Members are required to contribute 4.5% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer's annual contribution rate for calendar year 2022 was 4.25%. For the calendar year ended December 31, 2022, the District contributed \$104,330 to the Plan. The District also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by IMRF's Board of Trustees, while the supplemental retirement benefits rate is set by statute.

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2023

NOTE 2. DEFINED BENEFIT PENSION PLAN - Continued

Net Pension Asset

The District's net pension asset was measured as of December 31, 2022. The total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The amount is included in noncurrent assets on the statement of net position.

Actuarial Assumptions

The following are the methods and assumptions used to determine total pension liability at December 31, 2022:

- The **Actuarial Cost Method** used was Entry Age Normal.
- The **Asset Valuation Method** used was Market Value of Assets.
- The **Inflation Rate** was assumed to be 2.25%.
- **Salary Increases** were expected to be 2.85% to 13.75%, including inflation.
- The **Investment Rate of Return** was assumed to be 7.25%.
- **Projected Retirement Age** was from the Experience-based table of rates, specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study of the period 2017-2019.
- **Mortality** – For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

The **long-term expected rate of return** on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return to the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2023

NOTE 2. DEFINED BENEFIT PENSION PLAN – Continued

<u>Asset Class</u>	<u>Portfolio target percentage</u>	<u>Long-term expected real rate of return</u>
Domestic equity	35.50%	6.50%
International equity	18.00%	7.60%
Fixed income	25.50%	4.90%
Real estate	10.50%	6.20%
Alternative investments	9.50%	6.25% - 9.90%
Cash equivalents	1.00%	4.00%
Total	<u>100.00%</u>	

No changes were made to the District's assumptions.

Single Discount Rate

A Single Discount Rate of 7.25% was used to measure the total pension liability. The projection of cash flow used to determine the Single Discount Rate assumed that the plan members' contributions will be made at the current contribution rate, and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Single Discount Rate reflects:

- The long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits), and
- The tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the most recent valuation, the expected rate of return on pension plan investments is 7.25%, the municipal bond rate is 4.05% and the resulting single discount rate is 7.25%.

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2023

NOTE 2. DEFINED BENEFIT PENSION PLAN – Continued

Changes in the Net Pension Liability (Asset)

	Total pension liability (A)	Plan fiduciary net position (B)	Net pension liability (asset) (A) - (B)
Balances at December 31, 2021	\$ 15,595,323	\$ 19,585,265	\$ (3,989,942)
Changes for the year:			
Service cost	231,166	-	231,166
Interest on the total pension liability	1,104,642	-	1,104,642
Changes in benefit terms	-	-	-
Differences between expected and actual experience of the total pension liability	243,579	-	243,579
Changes of assumptions	-	-	-
Contributions - employer	-	104,330	(104,330)
Contributions - employee	-	110,467	(110,467)
Net investment income	-	(2,640,631)	2,640,631
Benefits payments, including refunds of employee contributions	(948,943)	(948,943)	-
Other (net transfers)	-	91,046	(91,046)
Net changes	<u>630,444</u>	<u>(3,283,731)</u>	<u>3,914,175</u>
Balances at December 31, 2022	<u>\$ 16,225,767</u>	<u>\$ 16,301,534</u>	<u>\$ (75,767)</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.25%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher:

	1% lower (6.25%)	Current discount rate (7.25%)	1% higher (8.25%)
Net pension liability	\$ 18,035,834	\$ 16,225,767	\$ 14,770,279
Plan fiduciary net position	16,301,534	16,301,534	16,301,534
Net pension liability / (asset)	<u>\$ 1,734,300</u>	<u>\$ (75,767)</u>	<u>\$ (1,531,255)</u>

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2023

NOTE 2. DEFINED BENEFIT PENSION PLAN – Continued

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended April 30, 2023, the District recognized pension expense of \$219,201. At April 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred amounts related to pensions	Deferred outflows of resources	Deferred inflows of resources
<i>Deferred amounts to be recognized in pension expense in future periods</i>		
Differences between expected and actual experience	\$ 189,638	\$ -
Changes of assumptions	-	(6,475)
Net difference between projected and actual earnings on pension plan investments	<u>3,229,800</u>	<u>(1,751,398)</u>
Total deferred amounts to be recognized in pension expense in future periods	3,419,438	(1,757,873)
<i>Pension contributions made subsequent to the measurement date</i>	<u>57,578</u>	<u>-</u>
Total deferred amounts related to pensions	<u><u>\$ 3,477,016</u></u>	<u><u>\$ (1,757,873)</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense in the future periods as follows:

Year ending December 31,	Net deferred outflows of resources
2023	\$ 66,264
2024	318,781
2025	469,070
2026	807,450
2027	-
Thereafter	-
Total	<u><u>\$ 1,661,565</u></u>

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2023

NOTE 3. CASH AND INVESTMENTS

Cash balances were as follows at April 30, 2023:

Petty cash	\$	400
Fifth-Third Bank - checking account		6,568,679
Fifth-Third Bank - money market account		4,125,850
Old Second - checking accounts		2,694,094
Total cash and investments	\$	<u>13,389,023</u>

The District held fourteen (14) \$250,000 Certificates of Deposits (total of \$3,500,000) at April 30, 2023. Maturity dates of certificates of deposits range from 12 to 24 months and have interest rates ranging from 4.50% to 5.15%.

The District is authorized to invest in all investments allowed by Illinois Compiled Statutes (ILCS). These include deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issues or guaranteed by the United States Government or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services, Illinois Funds (created by the Illinois State Legislature under the control of the State Comptroller that maintains a \$1 per share value which is equal to the participants fair value), and the Illinois Metropolitan Investment Fund (IMET), a not-for-profit investment trust formed pursuant to the Illinois Municipal Code and managed by a Board of Trustees elected from the participating members. IMET is not registered with the SEC as an investment company. Investments in IMET are valued at IMET's share price, the price for which the investment could be sold. The District's investment policy does limit its deposits to financial institutions that are members of the FDIC system and are capable of posting collateral for amounts in excess of FDIC insurance.

It is the policy of the District to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objectives of the policy are, in order of priority, safety of principal, liquidity, and rate of return.

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2023

NOTE 3. CASH AND INVESTMENTS – Continued

The District's deposits and investments are subject to the following risks:

- Custodial credit risk is the risk that the District will not be able to recover its deposits with financial institutions in the event of the failure of the financial institutions. The District requires pledging of collateral for all bank balances in excess of federal depository insurance. The District does have a formal investment policy.
- Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations, resulting in investment losses by the District.
- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District limits its exposure to interest rate risk by remaining sufficiently liquid to meet all operating requirements that may be reasonably anticipated and to provide sufficient liquidity to pay obligations as they come due.
- Concentration of credit risk is the risk of loss attributed to funds being concentrated in a limited number of investments.

The District's deposits with financial institutions were categorized as follows at April 30, 2023:

Insured by federal depository insurance	\$ 500,000
Collateralized by securities held by the pledging financial institution's trust department or agent in the District's name	13,022,937
Collateralized by securities held by the pledging financial institution's trust department or agent, but not in the District's name	-
Uncollateralized	-
Total deposits with financial institutions	<u>\$ 13,522,937</u>

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2023

NOTE 4. CAPITAL ASSETS

Following is a summary of changes in the capital assets for the year ended April 30, 2023:

	Beginning Balance	Additions & Transfers	Retirements	Ending Balance
Capital assets, not depreciable:				
Land	\$ 907,712	\$ -	\$ (451,017)	\$ 456,695
Construction in progress	2,814,279	(2,054,448)	-	759,831
Total capital assets, not depreciable	3,721,991	(2,054,448)	(451,017)	1,216,526
Capital assets, depreciable:				
Lift stations	9,873,074	2,325,248	(190,175)	12,008,147
Sewer improvements	34,747,585	383,348	-	35,130,933
Buildings	16,518,805	-	-	16,518,805
Office equipment	171,960	-	(8,160)	163,800
Vehicles	1,021,417	37,688	(1)	1,059,104
Plant improvement and equipment	63,614,185	223,732	(507,753)	63,330,164
Total capital assets, depreciable	125,947,026	2,970,016	(706,089)	128,210,953
Less accumulated depreciation for:				
Lift stations	(2,579,411)	(524,226)	190,175	(2,913,462)
Sewer improvements	(16,334,644)	(1,312,244)	-	(17,646,888)
Buildings	(13,880,305)	(211,704)	-	(14,092,009)
Office equipment	(135,629)	(15,222)	8,159	(142,692)
Vehicles	(779,612)	(75,689)	1	(855,300)
Plant improvement and equipment	(42,065,112)	(1,496,804)	486,195	(43,075,721)
Total accumulated depreciation	(75,774,713)	(3,635,889)	684,530	(78,726,072)
Total capital assets depreciable, net	50,172,313	(665,873)	(21,559)	49,484,881
Capital assets, net	<u>\$ 53,894,304</u>	<u>\$ (2,720,321)</u>	<u>\$ (472,576)</u>	<u>\$ 50,701,407</u>

The Illinois Tollway Authority (the "Tollway") is in the process of widening Interstate 294. The Tollway is relocating certain sewer lines that interfere with the tollway expansion. In connection with the expansion, the District sold land to the tollway in 2020 for \$802,500. The costs to the District, net of land sale to the tollway of \$802,500, will be at a cost not to exceed \$4,876,024, which is due in three (3) annual installments. The first installment of \$250,000 was paid in September 2020, second installment was paid in August 2021 and the final installment of \$4,376,024 will be paid as the project nears completion, which the District believes will be in 2023 or 2024. This amount is recorded in accounts payable at April 30, 2023.

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2023

NOTE 5. LONG-TERM LIABILITIES

Long-term liability activity for the year ended April 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Accrued compensated absences	\$ 147,345	\$ 209,937	\$ (147,345)	\$ 209,937	\$ 209,937
Notes payable	18,136,217	-	(1,520,267)	16,615,950	1,542,597
Total long term liabilities	<u>\$ 18,283,562</u>	<u>\$ 209,937</u>	<u>\$ (1,667,612)</u>	<u>\$ 16,825,887</u>	<u>\$ 1,752,534</u>

Notes payable consisted of the following at April 30, 2023:

- 1) In May 2011 the District's Water Pollution Control Revolving Fund loan agreement in the amount of \$7,796,000 with the Illinois Environmental Protection Agency (IEPA) for improvements to the District Wastewater Treatment Plant was finalized. Repayment of the loan is being made in semi-annual payments. The note bears interest at 2.50% and matures on April 28, 2031. The outstanding balance of this loan was \$3,584,495 at April 30, 2023.
- 2) In August 2011 the District's loan agreement in the amount of \$12,104,000 with the IEPA for improvements to the Clarendon Hills Sewer Improvement Project was finalized. This loan was funded by \$6,052,000 from the Water Pollution Control Center Loan Program and \$6,052,000 from the American Recovery and Reinvestment Act of 2009 (ARRA). Only one-half of the ARRA funds, \$3,026,000, will need to be repaid. Repayment of the loan is being made in semi-annual payments. The note bears interest at 0.00% and matures on June 1, 2031. The outstanding balance of this loan was \$3,858,150 at April 30, 2023.
- 3) In November 2011 the District's loan agreement in the amount of \$3,253,648 with the IEPA for improvements to the Clarendon Hills Sewer Improvement Project was finalized. Repayment of the loan is being made in semi-annual payments. The note bears interest at 1.25% and matures on November 29, 2031. The outstanding balance of this loan was \$1,564,776 at April 30, 2023.
- 4) In December 2012 the District's loan agreement in the amount of \$3,522,065 with the IEPA for improvements to the Tertiary Filter Project was finalized. Repayment of the loan is being made in semi-annual payments. The note bears interest at 2.295%, and matures on December 23, 2032. The outstanding balance of this loan was \$2,001,203 at April 30, 2023.
- 5) In August 2016 the District's loan agreement in the amount of \$3,351,192 with the IEPA for construction of the Meyers Road Lift Station Project was finalized. Repayment of the loan is being made in semi-annual payments. The note bears interest at 2.21% and matures on February 13, 2036. The outstanding balance of this loan was \$2,397,724 at April 30, 2023.

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2023

NOTE 5. LONG-TERM LIABILITIES – Continued

6) In August 2018 the District's loan agreement in the amount of \$3,771,874 with the IEPA for Phosphorus Removal Project was finalized. Repayment of the loan is being made in semi-annual payments. The note bears interest at 1.56% and matures on June 28, 2039. The outstanding balance of this loan was \$3,209,602 at April 30, 2023.

Minimum future payments for the notes payable are as follows at April 30, 2023.

Fiscal year ending April 30th	Principal	Interest	Total
2024	\$ 1,542,597	\$ 252,514	\$ 1,795,111
2025	1,565,420	229,692	1,795,112
2026	1,588,745	206,368	1,795,113
2027	1,612,584	182,528	1,795,112
2028	1,636,952	158,161	1,795,113
2029-2033	6,690,654	425,398	7,116,052
2034-2038	1,652,038	94,511	1,746,549
2039-2043	326,960	5,114	332,074
Total	<u>\$ 16,615,950</u>	<u>\$ 1,554,286</u>	<u>\$ 18,170,236</u>

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS

The District provided other post-employment health care benefits (OPEB) for retired employees through a single employer defined benefit plan until December 31, 2013, when the plan was terminated. There is no post employment benefit liability at April 30, 2023.

The District evaluated its potential implicit subsidy for other postemployment benefits liability. The District provides continued health insurance coverage at the active employer rate to all eligible employees in accordance with Illinois statutes, which creates an implicit subsidy of retiree health insurance. Former employees who choose to retain their rights to health insurance through the District are required to pay 100% of the current premium. However, no former employees have chosen to stay in the District's health insurance plan upon the termination of the explicit subsidy. Therefore, there has been no utilization, so there is no implicit subsidy to calculate. Therefore, the District has not recorded any postemployment benefit liability as of April 30, 2023.

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

April 30, 2023

NOTE 7. RISK OF LOSS

The District is exposed to various risks of loss through property ownership, employee injury, liability of employees, actions of elected officials and other risks. The District purchased commercial insurance policies to overcome these risks. Claims have not exceeded coverage in the last three years.

NOTE 8. CONTRACTUAL COMMITMENTS

The District entered into contracts with two construction companies on April 5, 2023 for services to be provided primarily after April 30, 2023.

- Contract 2023-01: Harger Road Lift Station Reconstruction for \$1,048,000.
- Contract 2023-03: 2023-2024 Sewer Lining Program for \$425,000.

NOTE 9. SUBSEQUENT EVENTS

The District has evaluated events subsequent to April 30, 2023 for possible adjustment or disclosure to the accompanying financial statements. This evaluation was done through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

***REQUIRED
SUPPLEMENTARY INFORMATION***

FLAGG CREEK WATER RECLAMATION DISTRICT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

April 30, 2023

Calendar year ended December 31,	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:								
Service cost	\$ 231,166	\$ 231,843	\$ 260,413	\$ 317,941	\$ 297,241	\$ 317,399	\$ 312,292	\$ 312,359
Interest on total pension liability	1,104,642	1,072,948	1,035,208	963,835	907,520	910,011	857,738	819,447
Change in benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience of total pension liability	243,579	52,900	162,352	491,687	261,245	(299,258)	28,881	(181,321)
Changes of assumptions	-	-	(77,827)	-	365,264	(401,918)	(14,566)	13,709
Benefit payments, including refunds of employee contributions	(948,943)	(891,455)	(799,167)	(721,317)	(573,913)	(524,823)	(485,550)	(391,156)
Net change in total pension liability	<u>630,444</u>	<u>466,236</u>	<u>580,979</u>	<u>1,052,146</u>	<u>1,257,357</u>	<u>1,411</u>	<u>698,795</u>	<u>573,038</u>
Total pension liability - beginning	<u>15,595,323</u>	<u>15,129,087</u>	<u>14,548,108</u>	<u>13,495,962</u>	<u>12,238,605</u>	<u>12,237,194</u>	<u>11,538,399</u>	<u>10,965,361</u>
Total pension liability - ending (A)	<u>\$16,225,767</u>	<u>\$15,595,323</u>	<u>\$15,129,087</u>	<u>\$14,548,108</u>	<u>\$13,495,962</u>	<u>\$12,238,605</u>	<u>\$12,237,194</u>	<u>\$11,538,399</u>
Plan fiduciary net position:								
Contributions - employer	\$ 104,330	\$ 164,691	\$ 170,603	\$ 346,121	\$ 240,524	\$ 462,438	\$ 483,827	\$ 479,708
Contributions - employee	110,467	106,481	107,074	115,504	126,149	126,850	124,729	121,495
Net investment income	(2,640,631)	2,917,367	2,209,282	2,373,200	(731,752)	2,054,177	708,965	52,814
Benefit payments, including refunds of employee contributions	(948,943)	(891,455)	(799,167)	(721,317)	(573,913)	(524,823)	(485,550)	(391,156)
Other (net transfer)	91,046	149,866	273,880	272,238	247,204	(207,847)	178,738	(159,394)
Net change in plan fiduciary net position	<u>(3,283,731)</u>	<u>2,446,950</u>	<u>1,961,672</u>	<u>2,385,746</u>	<u>(691,788)</u>	<u>1,910,795</u>	<u>1,010,709</u>	<u>103,467</u>
Plan fiduciary net position - beginning	<u>19,585,265</u>	<u>17,138,315</u>	<u>15,176,643</u>	<u>12,790,897</u>	<u>13,482,685</u>	<u>11,571,890</u>	<u>10,561,181</u>	<u>10,457,714</u>
Plan fiduciary net position - ending (B)	<u>\$16,301,534</u>	<u>\$19,585,265</u>	<u>\$17,138,315</u>	<u>\$15,176,643</u>	<u>\$12,790,897</u>	<u>\$13,482,685</u>	<u>\$11,571,890</u>	<u>\$10,561,181</u>
Net pension liability (asset) - ending (A) - (B)	<u>\$ (75,767)</u>	<u>\$ (3,989,942)</u>	<u>\$ (2,009,228)</u>	<u>\$ (628,535)</u>	<u>\$ 705,065</u>	<u>\$ (1,244,080)</u>	<u>\$ 665,304</u>	<u>\$ 977,218</u>
Plan fiduciary net position as a percentage of the total pension liability	100.47%	125.58%	113.28%	104.32%	94.78%	110.17%	94.56%	91.53%
Covered valuation payroll	\$ 2,454,822	\$ 2,366,248	\$ 2,379,418	\$ 2,578,427	\$ 2,803,314	2,818,883	\$ 2,771,744	\$ 2,699,878
Net pension liability as a percentage of covered valuation payroll	-3.09%	-168.62%	-84.44%	-24.38%	25.15%	-44.13%	24.00%	36.19%

Notes to schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

FLAGG CREEK WATER RECLAMATION DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS

April 30, 2023

Calendar year ended December 31,	Actuarially determined contribution (a)	Actual contribution (b)	Contribution deficiency (excess) (b-a)	Covered valuation payroll (c)	Actual contribution as a percentage of covered valuation payroll (b/c)
2022	\$ 104,330	\$ 104,330	\$ -	\$ 2,454,822	4.25%
2021	164,691	164,691	-	2,366,248	6.96%
2020	170,604	170,603	1	2,379,418	7.17%
2019	130,984	346,121	(215,137)	2,578,427	13.42%
2018	240,524	240,524	-	2,803,314	8.58%
2017	262,438	462,438	(200,000)	2,818,883	16.41%
2016	283,827	483,827	(200,000)	2,771,744	17.46%
2015	279,707	479,708	(200,001)	2,699,878	17.77%

FLAGG CREEK WATER RECLAMATION DISTRICT

SCHEDULE OF FUNDING PROGRESS OTHER POST-EMPLOYMENT BENEFITS PLAN

April 30, 2023

Actuarial valuation date April 30	(1) Actuarial value of assets	(2) Actuarial accrued liability (AAL) entry age	(3) Funded ratio (1) / (2)	(4) Unfunded AAL (2) - (1)	(5) Covered payroll	UAAAL as a percentage of covered payroll (4) / (5)
2009	\$ -	\$ 2,168,671	0.00%	\$ 2,168,671	N/A	N/A
2012	-	3,519,459	0.00%	3,519,459	N/A	N/A

GASB requires triennial valuations to be performed.

The District terminated its other postemployment benefits plan during the fiscal year ended April 30, 2014.

FLAGG CREEK WATER RECLAMATION DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS OTHER POST-EMPLOYMENT BENEFITS PLAN

April 30, 2023

<u>Year ended April 30</u>	<u>Employer contributions</u>	<u>Annual required contribution (ARC)</u>	<u>Percentage contributed</u>
2013	\$ 40,708	\$ 541,275	7.52%
2014	7,992	541,275	1.48
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-

The District terminated its other postemployment benefits plan during the fiscal year ended April 30, 2014.

FLAGG CREEK WATER RECLAMATION DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2023

NOTE 1. SCHEDULE OF EMPLOYER CONTRIBUTION

*Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2022 Contribution Rate**

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 each year, which is 12 months prior to the beginning of the calendar year in which contributions are reported.

Methods and Assumptions Used to Determine 2022 Contribution Rates

<i>Actuarial Cost Method:</i>	Aggregate entry age normal
<i>Amortization Method:</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period:</i>	10-year rolling period.
<i>Asset Valuation Method:</i>	5-year smoothed market; 20% corridor
<i>Wage Growth:</i>	2.75%
<i>Price Inflation:</i>	2.25%
<i>Salary Increases:</i>	2.85% to 13.75%, including inflation
<i>Investment Rate of Return:</i>	7.25%
<i>Retirement Age:</i>	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2020 valuation pursuant to an experience study of the period 2017-2019.
<i>Mortality:</i>	For non-disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables, and future mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables, and future mortality improvements projected using scale MP-2020.

Other Information:

Notes There were no benefit changes during the year.

*Based on Valuation Assumptions used in the December 31, 2020 actuarial valuation.

SUPPLEMENTARY INFORMATION

FLAGG CREEK WATER RECLAMATION DISTRICT

COMBINING STATEMENT OF NET POSITION BY SUBFUND

April 30, 2023

	Sewerage and User	Capital Improv.	State Fund IEPA	Total
Current assets:				
Cash and cash equivalents	\$ 6,569,079	\$ 4,954,886	\$ 69,945	\$ 11,593,910
Restricted cash and cash equivalents	-	-	1,795,113	1,795,113
Certificates of deposit	-	1,250,000	-	1,250,000
Annuities	41,195	-	-	41,195
Receivables:				
Accounts, net of (\$17,600) allowance	620,749	-	-	620,749
Unbilled user fee revenue	620,950	-	-	620,950
Interest	-	23,623	-	23,623
Prepaid expenses	135,394	-	-	135,394
Total current assets	7,987,367	6,228,509	1,865,058	16,080,934
Noncurrent assets:				
Certificates of deposit	-	2,250,000	-	2,250,000
Capital assets not being depreciated	1,216,526	-	-	1,216,526
Capital assets being depreciated, net of accumulated depreciation	48,725,050	759,831	-	49,484,881
Net pension asset	75,767	-	-	75,767
Total noncurrent assets	50,017,343	3,009,831	-	53,027,174
Deferred outflows of resources:				
Deferred amounts related to pension	3,477,016	-	-	3,477,016
Total assets and deferred outflows of resources	<u>\$ 61,481,726</u>	<u>\$ 9,238,340</u>	<u>\$ 1,865,058</u>	<u>\$ 72,585,124</u>

Continued on next page ...

FLAGG CREEK WATER RECLAMATION DISTRICT

COMBINING STATEMENT OF NET POSITION BY SUBFUND

April 30, 2023

Continued from previous page...

	Sewerage and User	Capital Improv.	State Fund IEPA	Total
Current liabilities:				
Accounts payable	\$ 325,319	\$ 4,425,397	\$ -	\$ 4,750,716
Accrued salaries and payroll expenses	49,737	-	-	49,737
Accrued interest	-	-	53,396	53,396
Unearned revenues	23,125	165,377	-	188,502
Accrued compensated absences	209,937	-	-	209,937
Notes payable	-	-	1,542,597	1,542,597
Total current liabilities	608,118	4,590,774	1,595,993	6,794,885
Noncurrent liabilities:				
Notes payable	-	-	15,073,353	15,073,353
Total noncurrent liabilities	-	-	15,073,353	15,073,353
Total liabilities	608,118	4,590,774	16,669,346	21,868,238
Deferred inflows of resources:				
Deferred amounts related to pension	1,757,873	-	-	1,757,873
Net position:				
Net investment in capital assets	49,941,576	759,831	(16,615,950)	34,085,457
Restricted - debt service	-	-	1,795,113	1,795,113
Unrestricted	9,174,159	3,887,735	16,549	13,078,443
Total net position	59,115,735	4,647,566	(14,804,288)	48,959,013
Total liabilities, deferred inflows of resources and net position	\$ 61,481,726	\$ 9,238,340	\$ 1,865,058	\$ 72,585,124

FLAGG CREEK WATER RECLAMATION DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY SUBFUND

Year Ended April 30, 2023

	<u>Sewerage and User</u>	<u>Capital Improv.</u>	<u>State Fund IEPA</u>	<u>Total</u>
Operating revenues:				
Charges for services				
User fees	\$ 5,034,167	\$ -	\$ -	\$ 5,034,167
Sewer service fees	1,564,095	-	-	1,564,095
Service availability	4,672,370	-	-	4,672,370
Fines and fees	193,574	-	-	193,574
Grease trap permits	38,696	-	-	38,696
Connection fees	51,700	535,786	-	587,486
Plan review fees	57,750	-	-	57,750
Total operating revenues	11,612,352	535,786	-	12,148,138
Operating expenses:				
Administration	2,264,857	461	-	2,265,318
Maintenance of sewers	768,842	-	-	768,842
Lift stations	143,157	-	-	143,157
Plant wastewater treatment	3,671,615	-	-	3,671,615
Laboratory	343,443	-	-	343,443
Total operating expenses	7,191,914	461	-	7,192,375
Operating income before depreciation and net pension obligation - GASB 68	4,420,438	535,325	-	4,955,763
Depreciation	3,635,890	-	-	3,635,890
Net pension obligation - GASB 68	143,531	-	-	143,531
Operating income	641,017	535,325	-	1,176,342
Non-operating revenues (expenses):				
Replacement taxes	319,363	-	-	319,363
Grants	459,113	-	-	459,113
Investment income	1,000	69,433	2,577	73,010
Loss on sale of capital assets	(76,458)	-	-	(76,458)
Interest expense	-	-	(270,897)	(270,897)
Total non-operating revenues (exp.)	703,018	69,433	(268,320)	504,131
Income (loss) before transfers	1,344,035	604,758	(268,320)	1,680,473

Continued on next page ...

FLAGG CREEK WATER RECLAMATION DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY SUBFUND

Year Ended April 30, 2023

Continued from previous page...

	<u>Sewerage and User</u>	<u>Capital Improv.</u>	<u>State Fund IEPA</u>	<u>Total</u>
Transfers				
Transfers in	\$ 2,888,958	\$ 1,000,000	\$ 1,824,000	\$ 5,712,958
Transfers out	<u>(2,824,000)</u>	<u>(2,888,958)</u>	<u>-</u>	<u>(5,712,958)</u>
Total transfers	64,958	(1,888,958)	1,824,000	-
Net change in net assets	1,408,993	(1,284,200)	1,555,680	1,680,473
Net position:				
Beginning of year	<u>57,706,742</u>	<u>5,931,766</u>	<u>(16,359,968)</u>	<u>47,278,540</u>
End of year	<u>\$ 59,115,735</u>	<u>\$ 4,647,566</u>	<u>\$ (14,804,288)</u>	<u>\$ 48,959,013</u>

FLAGG CREEK WATER RECLAMATION DISTRICT

SCHEDULE OF REVENUES AND EXPENSES - BUDGET TO ACTUAL FOR SEWERAGE AND USER SUBFUND

Year Ended April 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Operating revenues:			
User fees	\$ 5,250,000	\$ 5,034,167	\$ (215,833)
Sewer service fees	1,650,000	1,564,095	(85,905)
Service availability	4,400,000	4,672,370	272,370
Fines and fees	150,000	193,574	43,574
Grease trap permits	41,000	38,696	(2,304)
Scrap metal fees	2,000	-	(2,000)
Connection fees	50,000	51,700	1,700
Plan review fees	50,000	57,750	7,750
	<u>11,593,000</u>	<u>11,612,352</u>	<u>19,352</u>
Total operating revenues			
Nonoperating revenues:			
Replacement taxes	200,000	319,363	119,363
Investment income	1,000	1,000	-
Other income	22,000	382,655	360,655
	<u>223,000</u>	<u>703,018</u>	<u>480,018</u>
Total nonoperating revenues			
Total revenues			
	<u>\$ 11,816,000</u>	<u>\$ 12,315,370</u>	<u>\$ 499,370</u>
Operating expenses:			
Administration:			
Salaries	\$ 900,000	\$ 912,413	\$ 12,413
Group insurance	380,000	378,911	(1,089)
Unemployment taxes	800	50,747	49,947
Employee benefits	120,000	77,506	(42,494)
Worker's compensation	2,000	2,103	103
Life insurance	3,500	3,510	10
IMFR/FICA	110,000	93,960	(16,040)
Uniforms	1,000	-	(1,000)
Utilities	42,000	28,289	(13,711)
Shipping	2,000	1,347	(653)
Supplies/postage	100,000	112,878	12,878
Notifications	1,500	1,160	(340)
Subscriptions	15,000	14,654	(346)
Telephone	15,000	14,605	(395)
Training and meetings	3,000	679	(2,321)
Insurance	231,000	241,163	10,163
Equipment purchases	10,000	9,189	(811)
Safety equipment and supplies	500	1,100	600
Maintenance contracts	40,000	40,499	499
Vehicle expense	4,000	716	(3,284)
Professional services	115,000	157,022	42,022
Administrative services	2,000	(873)	(2,873)
Computer maintenance	108,000	123,279	15,279
	<u>2,206,300</u>	<u>2,264,857</u>	<u>58,557</u>
Total administration			

Continued on next page ...

FLAGG CREEK WATER RECLAMATION DISTRICT

SCHEDULE OF REVENUES AND EXPENSES - BUDGET TO ACTUAL FOR SEWERAGE AND USER SUBFUND

Year Ended April 30, 2023

Continued from previous page ...

	Budget	Actual	Over (Under)
Maintenance of sewers:			
Salaries	\$ 375,000	\$ 376,367	\$ 1,367
Group insurance	135,000	133,711	(1,289)
Unemployment taxes	400	451	51
Employee benefits	35,000	36,325	1,325
Worker's compensation	10,000	13,487	3,487
Life insurance	1,000	1,474	474
IMRF/FICA	50,000	39,862	(10,138)
Uniforms	5,000	4,863	(137)
Shipping	1,000	784	(216)
Supplies/postage	10,000	9,503	(497)
Telephone	5,000	5,105	105
Training & meetings	1,000	128	(872)
J.U.L.I.E	22,000	21,567	(433)
Safety equipment & supplies	-	269	269
Maintenance contracts	5,000	477	(4,523)
Vehicle expense	50,000	39,014	(10,986)
Administrative services	15,000	15,588	588
Computer maintenance	5,000	10,182	5,182
Sewer repairs	200,000	59,685	(140,315)
Total maintenance and sewers	925,400	768,842	(156,558)
Lift Stations:			
Utilities	100,000	76,641	(23,359)
Supplies/postage	25,000	24,604	(396)
Equipment purchases	20,000	-	(20,000)
Maintenance contracts	50,000	41,912	(8,088)
Total lift stations	195,000	143,157	(51,843)
Plant wastewater treatment:			
Salaries	1,105,000	1,140,174	35,174
Group insurance	470,000	469,333	(667)
Unemployment taxes	1,100	1,580	480
Employee benefits	140,000	141,068	1,068
Worker's compensation	40,000	40,466	466
Life insurance	3,000	4,421	1,421

Continued on next page ...

FLAGG CREEK WATER RECLAMATION DISTRICT

SCHEDULE OF REVENUES AND EXPENSES - BUDGET TO ACTUAL FOR SEWERAGE AND USER SUBFUND

Year Ended April 30, 2023

Continued from previous page ...

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
IMRF/FICA	120,000	116,318	(3,682)
Uniforms	16,000	19,080	3,080
Utilities	350,000	290,988	(59,012)
Shipping	1,500	1,088	(412)
Supplies/postage	341,000	449,104	108,104
Notifications	-	50	50
Subscriptions	-	639	639
Telephone	15,000	11,730	(3,270)
Permits	52,500	52,500	-
Training and meetings	6,000	2,615	(3,385)
Equipment purchases	15,000	-	(15,000)
Safety equipment and supplies	1,500	1,624	124
Maintenance contracts	622,000	876,655	254,655
Vehicle expense	50,000	43,736	(6,264)
Professional services	-	6,166	6,166
Computer maintenance	-	2,280	2,280
	<u>3,349,600</u>	<u>3,671,615</u>	<u>322,015</u>
Laboratory:			
Salaries	175,000	177,179	2,179
Group insurance	95,000	94,447	(553)
Unemployment taxes	200	226	26
Employee benefits	15,000	18,948	3,948
Worker's compensation	5,000	6,745	1,745
Life insurance	500	737	237
IMRF/FICA	20,000	19,008	(992)
Uniforms	3,000	1,964	(1,036)
Shipping	500	312	(188)
Supplies/postage	10,000	14,302	4,302
Subscriptions	-	98	98
Training & meetings	-	64	64
Equipment purchases	5,000	-	(5,000)
Safety equipment & supplies	1,000	632	(368)
Maintenance contracts	12,000	8,410	(3,590)
Vehicle expense	1,000	241	(759)
Computer maintenance	-	130	130
	<u>343,200</u>	<u>343,443</u>	<u>243</u>
Total operating expenses	<u>\$ 7,019,500</u>	<u>\$ 7,191,914</u>	<u>\$ 172,414</u>